PRADHAN MANTRI JAN DHAN YOJANA (PMJDY) INDIA'S BIGGEST FINANCIAL INCLUSION SCHEME: A STUDY

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ABSTRACT

Financial exclusion creates the problem of social discrimination. Majority of population in India is living in the rural area and that is why they have very limited access to the banking & financial services. An inclusive system of financial services is essential to develop the economy of any nation. Financial Inclusion is an attempt to provide access to affordable and useful financial services to the deprive section and less income group of economy. Hon'ble Prime Minister of India, Shri Narendera Modi has announced India's biggest financial inclusion scheme i.e., Pradhan Mantri Jan Dhan Yojana (PMJDY) on August 15, 2014 and have formally launched on August 28, 2014. This initiative has been started by Government of India to provide universal access to banking and financial facilities starting with basic saving bank account with overdraft facility and RuPay debit card with inbuilt accident insurance facility. The object of this research study is to analyse the progress and current status of PMJDY. It is a secondary data-based study. Secondary data has been collected through published annually, monthly reports of RBI, SLBC, official websites of PMJDY, previous research papers and annual economic survey. Average, percentage, comparative tables have been used to drawn the conclusion. The research article explores the progress and current status of PMJDY. The study has also highlighted the issues and challenges in effective implementation of the scheme.

Keywords	Financial inclusion, PMJDY, BSDBA, Banking, RuPay, Direct Benefit Transfer
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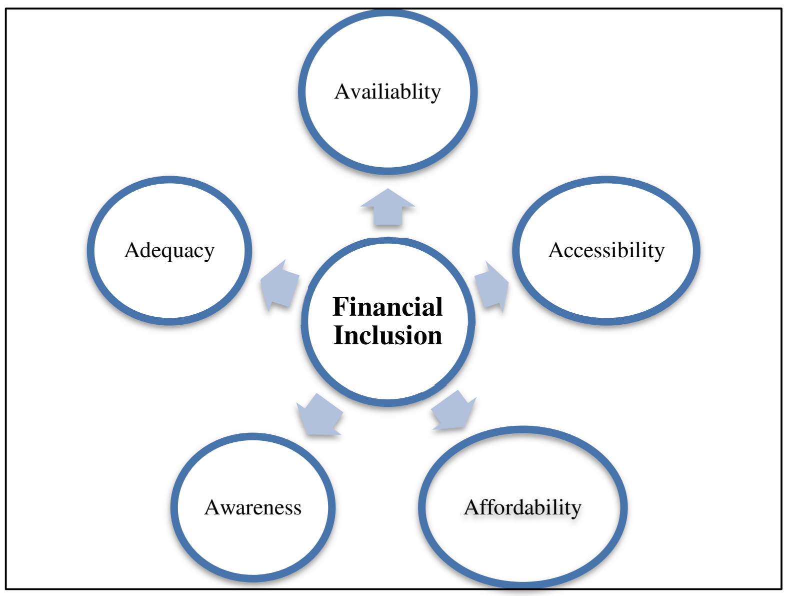
INTRODUCTION

The study of financial inclusion (FI) is very important for the growth of society, the outcome of financial exclusion have a negative impact on the economic and social development of every nation. People who are unable to obtain services from mainstream financial service providers are thus regarded as financially excluded, not only because there are no branches of the bank or other financial institution in their community but also because they are excluded or unable to use services offered by different financial institutions (Maity and Sahu, 2020). Financial inclusion (FI) is an attempt to provide access to affordable and useful financial services and products to the deprived section and low-income group of the society. FI also describes the equality & availability of opportunity to get financial services. The main objective of FI is to remove the obstacles which keep away users from participating in the financial system and provide financial services to fulfill their specific needs without any discrimination. Financial inclusion implies bringing low-income and excluded sections of society under banking coverage by providing them access to banking & financial services at an affordable cost. Financial inclusion includes availability, accessibility, affordability, adequacy & awareness about financial/banking services, as mentioned in Figure 1.

Figure 1: Financial Inclusion. Source: Rangarajan committee report



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For the advancement of society and inclusive economic and social growth, financial exclusion has become a priority of many countries. FI is very helpful to reduce the social and economic gap between the poor and rich sections of the population. From a growth point of view, it is recognized as a driver for poverty reduction all over the world. Financial inclusion also pushes up job creation, income & employment opportunity and increase investment in human capital. Without adequate access to formal financial services, individuals and firms need to rely on their own limited resources or rely on costly informal finance sources to meet their financial needs and pursue growth opportunities.

LITERATURE REVIEW

Philip Megicks, *et al.* (2005), in his study titled "Enhancing microfinance outreach through market-oriented new service development in Indian regional rural banks," explored the effectiveness of Indian microfinance institutions in achieving their social and economic goals. The research paper provides an overview of the main aspects of the present market orientation research set within RRB's future provision of financial products to the poor. RRBs in India is an integral component of the micro finance sector, which comprises a number of institutions that utilize "self-financing" methods of poverty alleviation. Sharma, M. and Paise, J. (2008) said that FI is a policy priority for development in many countries. By looking at the financial inclusion index developed in levels, human development and financial inclusion in a country move closely with each other, although a few exceptions exist. Among social-economic factors, as expected, income is positively associated with financial inclusion. Kelkar, V. (2010), described that the Indian economy had been significantly influenced by finance. Increment in FI initiatives will decrease the indebtedness of farmers, and it will lead to the modernization of agriculture in India. Enhancement in FI provides better management of risk to the farmers. It would encourage them to accept new techniques at a higher rate and make a positive impact to boost innovations and entrepreneurship.

To analyze the customer attitude towards technology-based services, Singh, J. & Kaur, P. (2013), conducted a study titled "Customers attitude towards technology-based services provided by select Indian banks." They explained that the overall satisfaction of customers with regards to technology-based services provided by banks in India is based on easy use, low transactional cost, and security. To increase the customer base, bankers should focus on simplifying the technology from a customer point of view, making services more economical, and transparently building the customer's trust. Singh, B. and Singh, S. (2015) stated the current financial inclusion status in India. In this study, he analyzes the level of financial inclusion concerning Pradhan Mantri Jan Dhan Yojana. After implementing this scheme, the result revealed that the record increment in term of opening bank account had been recorded. However, there is still scope for further progress in rural/backward areas.

Jain, S. (2015) revealed in his study that banks have created awareness about financial products and financial literacy in the people who do not have any access to to reduce financial exclusion Maity and Sahu (2018) explained the role of Indian banks in FI and measured their efficiency through data envelopment analysis DEA in financial inclusion respect. Results indicate that selected PSBs operate at 97.48% and private sector banks (PSBs) operate at a 92.26 percent efficiency level. Their input could be reduced by 2.52% for PSBs and 7.74% for PSBs. Inoue T. (2019), through her paper titled **"**Financial inclusion and poverty reduction in India," put forward a step towards rural development and try to analyze the impact of FI through commercial banks in development. In her study, results show that FI initiatives are helpful in poverty reduction. To analyze the fact, it has been concluded that government banks, as compare to private banks, have larger estimated values of FI.

OBJECTIVES OF THE STUDY

1. To study the concept of financial inclusion.
2. To analyze the progress and current status of Pradhan Mantri Jan Dhan Yojana.

DISCUSSION

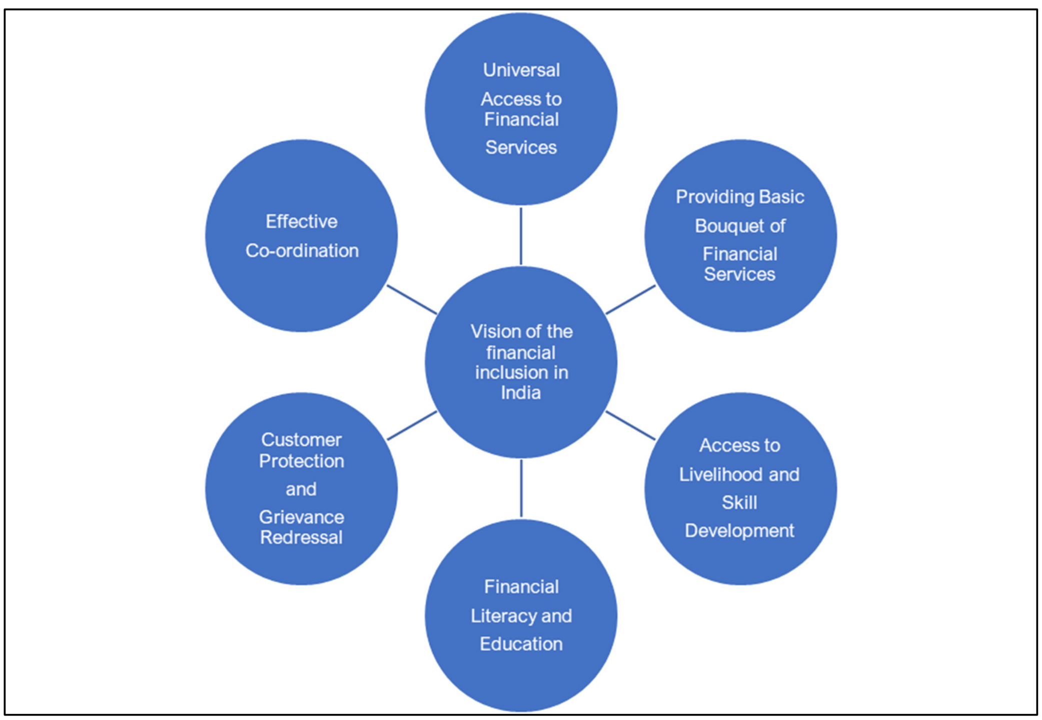
Banks play vital role in the growth of Indian economy, they work as a mobilizers, by collecting the saving of people and further allocate these saving into investment and production activities.

They identify the entrepreneurs with the best chances of successfully initiating new commercial activities, allocating credit to them, and contributing to the nation's economic growth. Financial access is a driver of increasing the living standard and economic condition of the country's weaker and vulnerable population. The concept of Financial Inclusion in India started when inclusive banking began with the nationalization of banks in 1969 and 1980. The term of Financial Inclusion in India was started in the year 2004 by the then RBI Governor Dr. Yaga Venugopal Reddy. The real thrust in the concept of Financial Inclusion comes in the year 2005 when the Reserve Bank of India highlighted its annual policy statement of 2005-06. In 2008 the Government of India appointed a committee of Financial Inclusion under the Chairmanship of Dr. Chakravarthi Rangarajan (19th Governor of RBI). The committee highlights the following main points in his report.

- Approximate 50 % of the people in India do not have bank accounts.
- 11 % of bank branches in India are limited to the metros.
- 90 % of the people do not have borrowing from the banks.
- Nearly 85 % of the population do not have access to insurance services.
- 2 % of the retail investors in India participate in the Indian capital market.

The vision of financial inclusion in the Indian context can be understood with the help of Figure 2.

Figure 2: Vision of Financial Inclusion. Source: National Strategy for Financial Inclusion



Source: Author compilation

IMPORTANT FINANCIAL INCLUSION SCHEMES OF GOVERNMENT OF INDIA

Indian Government has introduced many schemes to increase financial inclusion. These schemes formulate to provide social security to the poor and vulnerable sections of the Indian society. The Government of India has been started below mentioned various financial inclusion schemes over different years.

Table 1: Financial Inclusion Initiatives of Government of India

Years	Description
1969	Nationalization of fourteen banks.
1975	Formation of RRB's.
1980	Nationalization of six banks.
1982	Formation of National Bank for Agriculture and Rural Development.
2000	Formation of SIDBI for Micro Credit.
2006	Formation of committee on FI under the chairmanship of Dr. C. Rangarajan.
2008	Final report on FI submitted by Rangarajan committee to the Finance Minister.
2011	Reserve Bank of India launches Swabhiman Campaign.
2013	DBT (Direct Benefit Transfer) & AADHAR (Unique Identification Number) Scheme.
2014	Pradhan Mantri Jan Dhan Yojana (PMJDY).
2015	Launching of Suknya Samridhi Yojana, Stand up India Scheme, PMMY, Pradhan Mantri Suraksha Bima Yojana (PMSBY), Pradhan Mantri Jeewan Jyoti Bima Yojana (PMJJBY).
2016	Demonetization, RBI approval to set up Small Finance Banks, Payments Banks.
2017	Launching of Indian Post Payment Bank.

Source: Author compilation

FINANCIAL INCLUSION THROUGH FINANCIAL TECHNOLOGY (FINTECH)

Financial technology refers to the utilization of advanced technology in the financial sector. Financial inclusion is extensively improving across the world with the usage of financial technology. In India, there are many fintech companies that are constantly working on simplifying the process of providing financial services to prospective clients. They are very useful to the customers, due to their low-cost services.

Financial technology companies are enabling rural peoples to apply for a loan and open bank accounts by using a mobile phone. Some people have started using advanced fintech options i.e. digital payments system, crowdfunding, electronic wallets, etc. With the help of electronic payment wallet systems, this fintech is also providing a platform the people to make payments for products and services from their residential regions. The Indian Government has also launched many electronic wallet systems through smartphone apps such as BHIM (Bharat Interface for money), Google pay, Aadhaar pay, Paytm etc. Electronic wallets refer to wallets that can be used with the help of electronic means such as mobile phones. These e-wallets can be used for utility bill payments, recharge the mobile phone, and shopping. Many attractive offers and discounts are provided to the peoples who make digital transactions.

IMPORTANT OF FINANCIAL INCLUSION

In countries like India, which comprises rural, semi-urban & urban zones, banks play an important role in the growth & development of the economy. Financial inclusion enables the financially excluded people of urban & rural areas to access the improved range of formal financial services. In a broader sense, financial inclusion refers to the financial system of developing a habit, culture of saving among a large segment of the rural population and plays a major role in the process of social and economic development. Financial Inclusion reduces the exploitation of weaker/poor sections of society by the usurious money lenders by providing a facility for easy access to formal credit. Financial inclusion is emerging as a new paradigm of economic growth that plays a major role in driving away poverty from the country.

In the Indian context for overall economic and social growth, poverty alleviation, and income inequality reduction, financial inclusion has proved a milestone. The financial inclusion of women is particularly important for gender equality and women's economic empowerment. With greater control over their financial lives, women can help themselves and their families to come out of poverty; reduce their risk of falling into poverty; eliminate their exploitation from the informal sector, and increase their ability to engage in measurable and productive economic activities fully. An inclusive financial system supports stability, integrity, and equitable growth. Therefore, financial exclusion because of several physical, socio-cultural, and psychological barriers warrants attention from the policymakers.

PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

Pradhan Mantri Jan Dhan Yojana is an ambitious scheme for comprehensive financial inclusion announced by the Hon'ble Prime Minister of India, Shri Narender Modi, in his first Independence Day speech on August 15, 2014, and formally launched on 28 August 2014 as a National Mission for Financial Inclusion. The basic aim of this scheme is to provide access to banking and financial facilities with at least BSBDA for every household, access to credit, financial literacy, pension, and insurance at an affordable cost. PMJDY works with the philosophy of inclusive growth "Sab Ka Sath Sab Ka Vikas." To gear up the scheme, Prime Minister personally mailed to all the banks' CEOs to cover the six crore households and open their bank account. In this email, he categorically declared that a bank account for each household was a "national priority." Under this scheme, a basic saving bank deposit account (BSBDA) can be opened in any bank or Business Correspondent outlet called Bank Mitra by persons not having any other account.

FEATURES OF PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

PMJDY has been started with the following features:

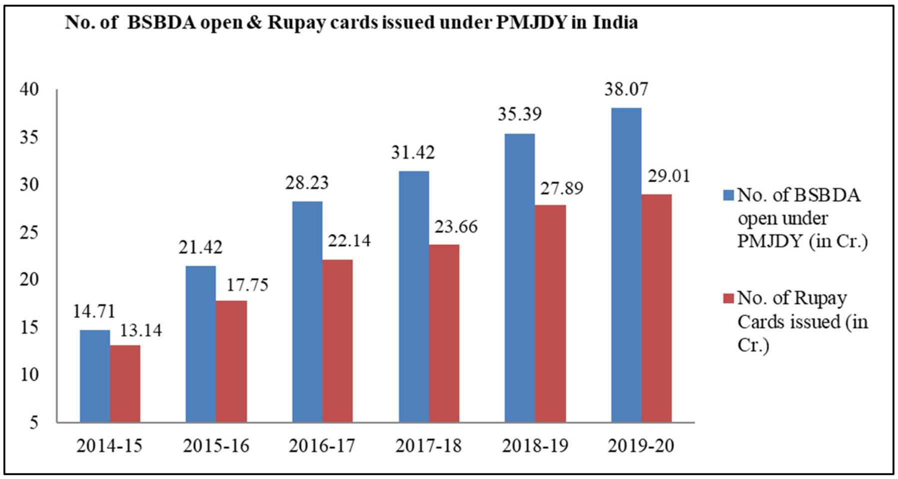
1. One basic saving deposit bank account is opened for a person who does not have any bank account.
2. Zero balance bank account is opened under PMJDY.
3. Interest facility is also provided on the deposit in PMJDY bank accounts.
4. RuPay debit card is provided to PMJDY account holder.
5. Insurance Cover (Accident) of Rs. 1 lakh (enhanced to Rs. 2 lakh to new PMJDY bank account opened after 28.8.2018) is provided with RuPay debit card issued to Jan-Dhan account holders.
6. Life Insurance Cover up to Rs. 30,000 also provided to eligible PMJDY account holders who have opened their Jan-Dhan bank account first time between August 15, 2014 to January 31, 2015.
7. After successful operation of six months, Jan-Dhan bank account holders are also eligible for an overdraft (OD) facility of Rs. 10,000.
8. Bank accounts opened under PMJDY are also eligible for Direct Benefit Transfer (DBT) facility, Pradhan Mantri MUDRAYajana, Atal Pension Yojana (APY), Pradhan Mantri

Jeevan Jyoti Bima Yojana (PMJJBY), Pradhan Mantri Suraksha Bima Yojana (PMSBY) scheme.

PERFORMACE OF PRADHAN MANTRI JAN DHAN YOJANA (PMJDY)

This program exclusively based on the huge branch network of all the commercial banks situated in every corner of the country. This initiative's success story is a result of continuous efforts and working of the entire banking space of over country. We can analyze this financial inclusion initiative with the help of Figure 3.

Figure 3: Progress of PMJDY



Source: https://www.pmjdy.gov.in/home

Statistics shown that there is substantial growth with regard to opening basic saving bank deposit account under Pradhan Mantri Jan Dhan Yojana. There was 14.71 crore BSBDA has been opened, and 13.14 crore RuPay debit card has been issued to Jan-Dhan bank account holder till March 31, 2015. This count has been increased to 38.07 crores in the case of BSBDA and to 29.01 crores in RuPay debit card to Jan-Dhan account holders as of March 31, 2020. This shows a growth rate of 158 percent. This is very good from a financial inclusion point of view to bring excluded/weaker sections of Indian society into the mainstream of economic growth. Bank wise performance of PMJDY is tabulated as under:

Table 2: Bank wise performance of PMJDY as of November 11, 2020

Bank Name / Type	Number of Beneficiaries at Rural/Semi Urban Bank Branches	Number of Beneficiaries at Urban Bank Branches	No of Female Beneficiaries (Rural & Urban)	Number of Total Beneficiaries	Deposits in Accounts (In Crore)	Number of Rupay Debit Cards issued to Beneficiaries
Public Sector Banks	20.00	12.66	17.90	32.66	102626.25	25.75
Regional Rural Banks	06.37	00.94	04.23	07.32	25209.09	03.34
Private Sector Banks	00.70	00.57	00.68	01.27	4144.95	01.15
Grand Total	**27.07**	**14.17**	**22.81**	**41.25**	**131980.29**	**30.24**

Source: https://www.pmjdy.gov.in/home; All figure in crore

Table 3: State-wise performance of PMJDY as on November 11, 2020

SN	State Name	Beneficiaries at Rural/Semi-Urban Bank Branches	Beneficiaries at Urban/Metro Bank branches	Total Beneficiaries	Balance in Beneficiary Accounts (in crore)	No. of RuPay cards issued
1	Andaman & Nicobar Islands	32,031	16,083	48,114	32.33	40,390
2	Andhra Pradesh	57,97,452	53,50,943	1,11,48,395	3,210.13	87,40,376
3	Arunachal Pradesh	2,21,078	1,30,941	3,52,019	180.02	3,04,233
4	Assam	1,35,30,695	41,05,794	1,76,36,489	4,074.91	1,08,09,647
5	Bihar	3,33,37,732	1,41,52,002	4,74,89,734	13,567.87	3,75,09,967
6	Chandigarh	45,656	2,16,715	2,62,371	133.16	1,83,716
7	Chhattisgarh	1,04,26,364	47,15,081	1,51,41,445	4,162.00	1,04,18,965
8	Dadra & Nagar Haveli	1,29,835	13,722	1,43,557	79.04	91,554
9	Daman & Diu	44,750	14,375	59,125	29.29	44,247
10	Delhi	2,90,909	44,20,140	47,11,049	2,117.26	38,96,297
11	Goa	1,38,508	29,240	1,67,748	111.13	1,17,980
12	Gujarat	98,45,114	59,05,872	1,57,50,986	5,999.05	1,22,54,519
13	Haryana	40,25,096	37,62,752	77,87,848	4,088.55	59,10,454
14	Himachal Pradesh	13,44,162	1,22,139	14,66,301	907.84	11,39,676
15	Jammu & Kashmir	20,44,204	3,66,482	24,10,686	1,316.88	17,84,208
16	Jharkhand	1,24,44,776	26,99,831	1,51,44,607	4,482.23	1,08,04,086
17	Karnataka	87,94,715	62,56,056	1,50,50,771	4,827.87	98,12,822
18	Kerala	24,74,315	21,77,726	46,52,041	1,909.55	28,75,210
19	Ladakh	17,113	3,515	20,628	21.38	18,732
20	Lakshadweep	4,648	1,265	5,913	11.45	4,793
21	Madhya Pradesh	2,05,17,715	1,42,47,753	3,47,65,468	7,050.49	2,63,74,393
22	Maharashtra	1,63,57,544	1,29,05,582	2,92,63,126	9,034.56	2,04,81,736
23	Manipur	4,65,783	5,50,527	10,16,310	214.09	6,99,607
24	Meghalaya	5,11,149	69,631	5,80,780	297.07	3,85,084
25	Mizoram	1,75,730	1,42,941	3,18,671	139.04	1,05,655
26	Nagaland	1,43,755	1,78,539	3,22,294	82.44	2,71,294
27	Odisha	1,31,68,608	36,91,070	1,68,59,678	5,910.45	1,33,44,856
28	Puducherry	79,311	82,214	1,61,525	58.12	1,19,486
29	Punjab	43,21,556	29,79,591	73,01,147	3,140.21	57,80,368
30	Rajasthan	1,89,41,473	97,86,744	2,87,28,217	10,457.32	2,27,65,803
31	Sikkim	61,726	26,134	87,860	48.9	67,242
32	Tamil Nadu	55,82,289	53,73,175	1,09,55,464	2,878.77	89,54,090
33	Telangana	53,25,739	47,69,138	1,00,94,877	2,604.25	82,26,654
34	Tripura	6,34,136	2,52,841	8,86,977	557.92	4,22,334
35	Uttar Pradesh	4,97,92,881	1,98,89,013	6,96,81,894	24,163.49	5,06,65,733
36	Uttarakhand	18,11,738	8,79,706	26,91,444	1,432.56	21,00,460
37	West Bengal	2,79,02,187	1,14,67,802	3,93,69,989	12,648.65	2,49,60,224
	Total	**27,07,82,473**	**14,17,53,075**	**41,25,35,548**	**1,31,980.29**	**30,24,86,891**

Source: https://www.pmjdy.gov.in/home

According to the statistics in Table 2, the total number of beneficiaries under PMJDY is 41.25 crores all over India, including 27.07 crore beneficiaries belonging to rural/semi-urban bank branches and 14.17 crore beneficiaries belongs to urban bank branches. It is 33 percent of the total Indian population of 125 crores. Sixty-five percent Jan-Dhan bank accounts have been opened in rural and semi-urban areas. Public Sector Bank has played a major role in opening Jan-Dhan bank accounts with 79 percent, followed by Regional Rural Bank with 18 percent. To increase the coverage under PMJDY in the unbanked/excluded section of society, the Government of India and RBI continue to focus on different modes of operation, i.e., bank correspondents, and organize financial literacy camps. According to the statistics in table 3, in relation to the opening of Jan-Dhan bank accounts under PMJDY, Uttar Pradesh is leading in this race, having 16.87 percent, followed by Bihar, a share of 11.49 percent. Third, the fourth and fifth position has been occupied by West Bengal, Madhya Pradesh & Maharashtra respectively.

The deposit balance and average deposit balance year wise performance of Pradhan Mantri Jan Dhan Yojana (PMJDY) is as under:

Table 4: Deposit wise performance of PMJDY

S.No	Item	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
1	Number of PMJDY accounts (in Crore)	14.71	21.43	28.17	31.44	35.27
2	Deposit in Jan-Dhan bank accounts (in Rs. Crore)	15,670	35,672	62,972	78,494	96,107
3	Average Deposit per Jan-Dhan bank account (in Rs.)	1,065	1,665	2,235	2497	2,725
4	Number of RuPay debit cards issued to Jan-Dhan bank account-holders (in Crore)	13.14	17.75	21.99	23.65	27.91

Source: https://www.pmjdy.gov.in/home

The data in Table 4 reveals that under PMJDY, consistent progress has been observed over the years. More than Rs. 35 crore new Jan-Dhan bank accounts have been opened under the scheme and more than Rs. Ninety-six thousand crores have been deposited in these Jan-Dhan bank accounts. This is very good for the economic growth of the excluded section of Indian society. The average deposit per PMJDY account has been increased up to Rs. 2,275 as of March 31, 2019, as compared to Rs. 1,065 as of March 31, 2015.

CONCLUSION

The results of this study revealed that the Indian Government, along with the Reserve Bank of India, had been taken a number of initiatives to increase financial inclusion for the welfare of the excluded section. They have started/implemented several programs/schemes to increase the reach of Indian society's vulnerable/ excluded sections towards various financial services. PMJDY has become a milestone in this field. Public Sector Bank has played a major role in opening Jan-Dhan bank accounts with a share of 79 percent, followed by Regional Rural Bank with a share of 18 percent. The woman has also actively participated in this regime with a share of 55 percent. Sixty-five percent Jan-Dhan bank accounts have been opened in rural and semi-urban areas. Besides this initiative, the Government has also been focused on organizing financial literacy camp, digital, banking vigilance awareness camp on a frequent basis.

Indian economy is based on the rural communities. The majority of the people are living in the rural part of the country. Who does not have proper access to the formal financial/ banking system? Still, there is much work to do in this field from the Government as well as implementing agency point of view. Only open a bank account will not fulfill the objective of PMJDY. It is a continuous regime to include all Indian citizens into a single banking and financial services umbrella. They can use these services as, and when they are required, government officers and implementing agencies should have effective coordination for the successful implementation of this initiative. To know the ground realities related to the schemes/program, continuous monitoring, field survey & personal interview should also be organized frequently from beneficiaries. For more coverage under the program, private bankers should also be included in this regime. Motivation is also given to them to expand their area of operation in the rural part of the country.

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